



Department of Veterans Affairs

Financial Policy

Volume VIII

Cash Management

Chapter 6

Collections

Approved:

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer

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0601 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies for the collection of amounts due to the Department. VA uses a variety of collection mechanisms to support its mission and maximize potential collections.

Key points covered in this chapter, include the following:

- VA will use electronic funds transfer (EFT) as a primary collection mechanism;
- VA will adhere to Treasury's collection requirements; and
- VA will utilize collection management tools to manage the collection process.

0602 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed five-year update	OFP (047G)	Reorganized chapter layout	November 2020
Overall	Moved discussion on Collections from Vol VIII, Chapter 2	OFP (047G)	Provide policy on collections	November 2020
0603 Definitions	Added new terms to that relate to the collection process	OFP (047G)	Added new terms to provide clarity	November 2020
0605 Policies	Added sections for General Policy, Treasury Collection Mechanisms, and Collection Management Tools	OFP (047G)	Provide current and relevant policy	November 2020
Appendix A	Added Treasury's Collection Mechanisms	OFP (047G)	Provide current procedures on Treasury's Collection Mechanisms	November 2020

0603 Definitions

Card Acquiring Service (CAS) – A program within Treasury's Bureau of the Fiscal Service that provides federal agencies payment card acceptance capabilities.

Collections – An inflow of funds for items such as: a payment for goods and/or services provided, debt collections, cash and checks from Veterans, returned benefit checks, intra-governmental collections, refunds, rebates, and other miscellaneous receipts.

Collections Information Repository (CIR) – A web-based tool that gives Federal agencies information on deposits and collections. CIR combines financial transaction information from various collections and settlement systems into one place.

Collection Mechanism – Any tool or system which VA utilizes to receive funds from an outside recipient or from another Federal agency.

Electronic Funds Transfer (EFT) – Electronic transmission of funds to financial institutions.

Fedwire Deposit System (FDS) – Electronic transmission of funds to financial institutions over the Federal Reserve Communications System through a direct line to a Federal Reserve Bank, providing for the immediate availability of funds.

Intra-Governmental Payment and Collection (IPAC) – A standardized inter-agency fund transfer mechanism for Federal agencies.

General Lockbox Network (GLN) – The GLN consists of a select number of financial institutions that provide lockbox services to the Department of the Treasury for the collection of non-tax receipts. The work under the GLN is considered standard lockbox servicing that does not require large amounts of specialty or ancillary services.

Offset – The collection of a debt, or a portion of a debt, from monies a debtor is currently receiving or may receive in the future from the Federal Government.

Revenue Source Codes (RSC) – A unique code within VA's accounting system used to classify revenue sources within VA programs. RSCs allow a user to track financial activity related to a receipt.

0604 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and **Other Key Officials** are responsible for ensuring compliance with the policies set forth in this chapter.

Principal Agent Cashiers and **Alternate Agent Cashiers** are responsible for collecting payments at field stations and carrying out other cash or negotiable instrument operations for Veterans.

0605 Policies

060501 General Policies

- A. VA will use EFT as the primary collection mechanism to the greatest extent practicable, as required in 31 C.F.R. Part 206 – Management of Federal Agency Receipts, Disbursements, and Operation of the Cash Management Improvements Funds.
- B. OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, requires VA to implement the five components in the Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book) to reduce or mitigate risks over the collections process. At a minimum, VA will perform the following to comply with OMB Circular No. A-123:
 - 1. VA will ensure proper internal controls are in place to appoint or designate employees to accept collections on behalf of VA.
 - 2. VA will also enforce separation of duties to mitigate the risks of misuse of public funds or fraud occurring.
 - 3. VA will record and maintain the major categories of receivables to ensure collection transactions are being reported accurately in the agency accounting system.
 - 4. VA will maintain supporting documentation for collection activities in accordance with Federal records management requirements contained in National Archives and Records Administration (NARA) regulations and VA Directives applicable for records management to support audits.
- C. VA will comply with the Cash Management Improvement Act and its amendments. VA will utilize EFT to transfer funds to state governments to support Federal Financial Assistance Programs. Transfers are processed as soon as funds are due in accordance with 2 C.F.R. § 200.305, Payment, and 31 C.F.R. Part 205, Rules and Procedures for Efficient Federal-State Funds.
- D. In accordance with 18 U.S.C. § 641, Public Money, Property or Records, VA will prosecute to the fullest extent of the law any individual who embezzles, steals, knowingly converts to his or her use, or sells Federal property for personal gain.
- E. VA will account for collections in accordance with Federal Generally Accepted Accounting Principles (GAAP).
- F. VA maintains a RSC structure to identify and classify the various types of revenue (collections) for financial reporting. For example, VA activities that generate cash

collections, such as donations, rental income, enhanced-use leasing, recycling and waste reduction programs, or other services, are classified with associated RSCs.

- G. When the need for a new RSC is identified, VA's Administration and Staff Offices will coordinate with Financial Services Center (FSC) and the Office of Finance to ensure that an RSC is established in a timely manner. Refer to VA Financial Policy Volume II, Chapter 1 – VA's Accounting Classification Structure for additional information.

060502 Treasury Collection Mechanisms

- A. VA will adhere to Treasury's requirements regarding collection of funds as contained in Treasury Financial Manual (TFM) in Volume 1, Part 5, Chapter 1500, General Terms and Conditions Governing Collection Services. Treasury oversees several mechanisms that VA may use to process Federal Government collections. For additional information, refer to TFM Volume 1 Part 5, Deposit Regulations.
- B. VA will utilize Treasury's collection mechanisms outlined in Appendix A, Treasury's Collection Mechanisms.
- C. VA will use financial institutions selected by Treasury to implement collection mechanisms such as:
- General Lockbox Network;
 - Card Acquiring Service; and
 - Credit Gateway.
- D. VA will primarily utilize these financial institutions or collection mechanisms to process cash and checks:
- Federal Reserve Banks (FRB);
 - Domestic Treasury General Account (DTGA) Depositories;
 - International Treasury General Account (ITGA) Depositories; and
 - Lockbox.
- E. VA will use IPAC as the collection mechanism for collecting funds from other Federal agencies and components. Refer to VA Financial Policy Volume I, Chapter 11 – Intragovernmental Transactions for guidelines and procedures on use of IPAC.
- F. Prior to implementing Pay.gov and establishing accounts, Administrations are required to coordinate with their respective Finance Office and the FSC's 224 Treasury Reconciliation Section.
- Veterans Benefits Administration (VBA), coordination with the VBA Finance Center at Hines, IL is required for Agency Location Code 36000201.
 - Veterans Health Administration (VHA), coordination with VHA Office of Finance (10A3) is required for Agency Location Code 36001200.

- National Cemetery Administration (NCA), NCA Finance Center has set up one centralized account to receive donations for all cemeteries. Coordination with NCA Finance Center is required for any other use of Pay.gov.

060503 Collection Management Tools

- A. VA may supplement Treasury collection mechanisms with other available tools to ensure proper accounting and control of collections.
- B. VA will utilize the CIR to ensure that all deposit and collections have been accurately processed and reported to Treasury. For more information, refer to the Treasury's CIR website.
- C. VA may offset federal payments to collect funds from debtors. Refer to VA Financial Policy Volume XII, Chapter 1 – VA Debt Collection Standards, for additional information on types of offsets.
- D. VA's Agent Cashiers are authorized to collect and deposit collections from various sources (e.g., cash, checks). Cash and checks received by VA must be deposited through OTCnet.
- E. VA will comply with Treasury's deposit procedures as specified in TFM, Volume I, Part 5, Chapter 2000, Depositing Domestic Checks and Cash Received in Over the Counter (OTC) Collections. For detailed VA's financial policies on collection and deposit activities, refer to Volume VIII, Chapter 3 – Agent Cashier Accountability Policy.

0606 Authorities and References

[2 C.F.R. § 200.305, Payment](#)

[18 U.S.C. § 641, Public Money, Property, or Records](#)

[31 C.F.R. Part 205, Rules and Procedures for Efficient Federal-State Funds Transfer](#)

[31 C.F.R. Part 206, Management of Federal Agency Receipts, Disbursements and Operation of the Cash Management Improvements Fund](#)

[31 C.F.R. Part 208, Management of Federal Agency Disbursements](#)

[31 C.F.R. Part 210, Federal Government Participation in the Automated Clearing House](#)

[31 U.S.C. § 3332, Required Direct Deposit](#)

[31 U.S.C. Chapter 35, Accounting and Collection](#)

[31 U.S.C. § 3720, Collection of Payments](#)

[GAO. Financial Management: Implementation of the Cash Management Improvement Act](#)

[National Archives and Records Administration](#)

[Treasury Financial Manual, Volume I, Federal Agencies Part 5, Deposit Regulations, and Part 6, Other Fiscal Matters](#)

[Treasury Financial Manual, Volume I, Part 5, Chapter 2000, Depositing Domestic Checks and Cash Received in Over the Counter \(OTC\) Collections](#)

[Treasury Financial Manual, Volume I, Part 5, Chapter 4600, Treasury Lockbox Network](#)

[Treasury Financial Manual, Volume I, Part 6, Chapter 4000, Intragovernmental Transaction Applications - Intragovernmental Payment and Collection \(IPAC\) and Government Invoicing \(G-Invoicing\)](#)

[Treasury Green Book](#)

[Treasury's CIR website](#)

[Treasury's EFT website](#)

[VA Financial Policy Volume I, Chapter 11 – Intragovernmental Transactions](#)

[VA Financial Policy Volume II, Chapter 1 – VA's Accounting Classification Structure](#)

[VA Financial Policy Volume VIII, Chapter 3 – Agent Cashier Accountability Policy](#)

[VA Financial Policy Volume XII, Chapter 1 – VA Debt Collection Standards](#)

0607 Rescissions

VA Financial Policy Volume VIII, Chapter 2 – Disbursements and Collections Requirement, May 2012.

0608 Questions

Questions concerning this financial policy should be directed to the following points of contact:

VHA	VHA Financial Policy (Outlook)
FSC	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
All Others	OFP Accounting Policy (Outlook)

Appendix A: Treasury's Collection Mechanisms

- A. Automated Clearing House (ACH) is the primary system that agencies use for EFT. This mechanism utilizes the Treasury's Collections Information Repository (CIR) to manage the collection of U.S. Government funds throughout the world and provide real-time information through Internet access. For additional information on EFT, refer to Treasury's EFT website. Specific collections under the ACH system, operated by National Automated Clearing House Association (NACHA) – The Electronic Payments Association, include:
1. The Debit Gateway centralizes processing and settlement of electronic check and ACH debit transactions received from Revenue Collections Management (RCM) channels – Electronic Check Processing (ECP), Over the Counter Network (OTCnet), and Pay.gov – and directly from four agencies (Agency Direct). The Debit Gateway reviews check transactions received from ECP, OTCnet, and Agency Direct. Qualified transactions are converted to more efficient and less costly ACH debit entries, or the checks are presented as Image Cash Letters (ICL) to the Check21 system. Check21 is the primary check clearing system for Federal Reserve Banks. More information is located on Treasury's Debit Gateway website.
 - a. The Preauthorized Debit (PAD) allows for the electronic transfer of funds authorized in advance by the remitter. The program uses the ACH system and allows VA to collect payments automatically. VA may electronically withdraw the amount from the remitter's bank account on a predetermined basis or the remitter may electronically transmit the funds at their discretion. PAD collections may be used for both recurring and single collections. Prior to establishing a PAD application, VA must initiate an agreement with the Treasury and financial institution that will process the ACH entries.
 - b. The Lockbox Collection Network is comprised of financial institutions around the country. A selected bank will serve as VA's entry point into the ACH network and receive the funds on behalf of VA. The bank will receive information from VA, format the transactions, and originate the file into the ACH network for settlement. The banks will report the deposits received through CIR and transfer funds to Treasury's account for credit to VA, and remittance data to VA, as requested. For additional information, refer to Treasury Lockbox Network on TFM website.
 2. The Credit Gateway program processes Fedwire transactions and ACH credit transactions. A credit transaction removes value from the Transaction Originator's account and credits the Transaction Receiver's account. In a credit transaction, the payer (Transaction Originator) "pushes" funds from their account to VA (Transaction Receiver) for collection. For additional guidance, refer to the Treasury's website.

- a. The Remittance Express Program (REX) allows VA to receive ACH Collections directly from the private sector. The remitter sends an ACH credit transaction to a unique routing transmit number at a Federal Reserve Bank.
 - b. The Card Acquiring Service (CAS) allows Federal agencies, such as VA, to accept MasterCard®, Discover®, VISA®, and American Express credit cards. More information can be found in TFM, Volume I, Part 5, Chapter 7000, Credit and Debit Card Collection Transactions.
 - c. The Fedwire Deposit System (FDS) use will be limited by VA due to the high cost of each transaction.
- B. Pay.gov is a secure Government-wide collections portal. VA utilizes this collection portal because it allows individuals, States, and businesses to make non-tax related payments to the agency. VA uses Pay.gov for more than 40 programs under VA's Administrations, including but not limited to:
- VA Medical Care Copayment;
 - VA Medical Alert Identification;
 - Claim Overpayment/Refund to VA; and
 - Veteran Medical Alert Identification Equipment purchases (a collection tool).
1. Pay.gov enables VA to receive authorized electronic transaction funds transfer from end-users using a U.S.-held bank account (through ACH Debit), a credit or debit card, or with a digital wallet, such as PayPal or Amazon Pay. Services include:
 - Electronic forms for collections hosted on pay.gov website;
 - e-Billing for agencies that want to bill customers electronically;
 - Hosted and non-hosted certificate-based collections for agencies with an existing web presence; and
 - Over the phone and desktop collection tools.
 2. Donations to VA that are legal and authorized may also be received through Pay.gov.